



A PHI Company

Todd L. Goodman
Associate General Counsel

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DELAWARE P.S.C.

800 King Street
Wilmington, DE 19801

P.O. Box 231
Wilmington, DE 19899-0231

302.429.3786 – Telephone
302.429.3801 – Facsimile

todd.goodman@pepcoholdings.com

Alisa
Jackie
Ruth
John
Monica
Joe
Gina
Andrea
Susan
Donna
Courtney
Mark
Janis

October 20, 2010

Alisa C. Bentley, Secretary
State of Delaware
Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

RE: In the Matter of the Application of Delmarva Power & Light
Company for Approval of a Modified Fixed Variable Rate Design
For Gas Rates (Filed June 25, 2009)
PSC Docket No. 09-277T

Dear Ms. Bentley:

Enclosed is the fully executed Settlement Agreement for the above-captioned matter. Please time-stamp one additional copy and return in the self-addressed stamped envelope provided. Should you require any assistance with regard to this matter, please do not hesitate to contact my office.

We have served copies of this letter and the executed Settlement Agreement on the members of the distribution/service list via email only. Should anyone need a hard copy, however, we will gladly send one by U.S. Mail.

Sincerely,

Todd L. Goodman

Todd L. Goodman

Encl.
TLG/cbv

cc: Ruth Ann Price, Esquire (via e-mail and U.S Mail)
Distribution List (via e-mail only)

"Bentley Alisa C (DOS)" <Alisa.Bentley@state.de.us>
"Burcat Bruce H (DOS)" <Bruce.Burcat@state.de.us>
"Farber John (DOS)" <john.farber@state.de.us>
"Hall Monica L (DOS)" <monica.hall@state.de.us>
"Handlon Joseph C (DOS)" <joseph.handlon@state.de.us>
"Hodges Jackie (DOS)" <jackie.hodges@state.de.us>
"Iorii Regina (DOJ)" <regina.iorii@state.de.us>
"Jennifer A. Clausius" <jclausius@chpk.com>
"Lawrence Mark (DOS)" <mark.lawrence@state.de.us>
"Maucher Andrea (DOS)" <andrea.maucher@state.de.us>
"Neidig Susan B (DOS)" <Susan.Neidig@state.de.us>
"Nickerson Donna L (DOS)" <Donna.Nickerson@state.de.us>
"Padmore Arthur (DOS)" <arthur.padmore@state.de.us>
"Price Ruth (DOS)" <ruth.price@state.de.us>
"Sheehy Michael (DOS)" <michael.sheehy@state.de.us>
"Stewart Courtney A. (DOS)" <Courtney.Stewart@state.de.us>
"Walker Kent (DOJ)" <Kent.Walker@state.de.us>
"William A. Denman, Esquire" <wdenman@pgslegal.com>
Heather Hall <heather.hall@pepcoholdings.com>
Howard Solganick <howard@energytactics.com>
Joseph Janocha <joseph.janocha@pepcoholdings.com>
Len Beck <len.beck@pepcoholdings.com>
todd.goodman@pepcoholdings.com

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BEFORE THE PUBLIC SERVICE COMMISSION DELAWARE P.S.C.
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT) PSC DOCKET NO. 09-277T
COMPANY FOR APPROVAL OF A MODIFIED)
FIXED VARIABLE RATE DESIGN FOR)
GAS RATES (FILED JUNE 25, 2009))

SETTLEMENT AGREEMENT

This Settlement Agreement (the Settlement Agreement) is entered into by and among the undersigned parties (the Parties).

WHEREAS, on June 25, 2009, Delmarva Power & Light Company (DP&L) filed an application with the Delaware Public Service Commission (the Commission) for approval of a modified fixed variable rate design for its gas delivery rates (the Rate Design Application); and

WHEREAS, pursuant to the Delaware Energy Efficiency Resource Standards Act of 2009 (the Act) then in effect, decoupled rate design mechanisms were to be "implemented by no later than December 2010 for regulated natural gas and electric utilities such that delivery rate structures provide for an appropriate, cost-based level of revenue recovery which will remove disincentives to investment in demand response programs and conservation and improved efficiency of energy use." *See 26 Del. C. § 1500(b)(8) (repealed)*; and

WHEREAS on January 6, 2010 the Company filed a Motion to Stay the Procedural Schedule; and

WHEREAS, on January 28, 2010 the Commission issued Order No. 7731 approving the Motion to Stay the Procedural Schedule; and

WHEREAS, the Parties have participated in numerous decoupling workshops to discuss the revenue decoupling proposal and to address several issues raised by Staff and the Division of the Public Advocate ("DPA"); and

WHEREAS, by House Bill No. 378 (July 2010) the General Assembly amended the Act to remove the deadline for implementation of decoupled rate designs; and

WHEREAS, it is acknowledged that the Parties differ as to the proper resolution of the rate design and are preserving their rights to raise those issues in future proceedings, but believe that settlement of the pending Application on the terms and conditions contained herein will best serve the public interest; NOW, THEREFORE,

IT IS HEREBY STIPULATED AND AGREED BY the undersigned Parties that they will submit to the Commission for its approval the following terms and conditions for resolution of the pending docket:

1. Capitalized terms not otherwise defined herein shall have the meanings ascribed to those terms in the testimony and other documents filed in the dockets for the Applications.
2. With respect to the rate design issues that have been raised in these proceedings, the Parties agree as follows:
 - a. The Parties agree that DP&L shall implement a two-part, Modified Fixed Variable ("MFV") rate design for gas delivery service provided under Residential, Residential Space Heat and General Gas rates, consisting of a customer charge component and a new component referred to as the Delivery Demand Contribution Charge (the "DDC Charge"). The Customer Charge

will be designed based on the appropriate recovery of customer-related costs.

The balance of distribution costs will be recovered through the DDC Charge.

- b. If necessary, DP&L shall implement a mechanism to mitigate the impact of the new gas MFV rate design on existing residential and general gas service customers on the extreme high or low end respectively of the impact frequency distribution.
- c. The DDC factor shall be administered and calculated for each premise as follows:
 1. Heating usage per degree day is calculated as follows:
 - a) The total service classification actual billed usage for the January and February billing months will be determined.
 - b) Non-heating usage for the period will be calculated using the actual billed usage level for the August billing month divided by the billing days for August, multiplied by the total billing days for January and February.
 - c) Heating usage will be determined by subtracting the non-heating usage calculated in Step 1.b from the total usage determined in Step 1.a.
 - d) The heating usage determined in Step 1.c. will be divided by the total degree days in the January and February period.
 2. The heating usage per degree day will be multiplied by the Design Degree Days of 65 to develop a heating usage contribution to the DDC Factor.

3. A baseline non-heating usage level calculated as the August usage level divided by the August billing days will be added to the heating contribution calculated in Step 2.
 4. The DDC will also be developed on an aggregate basis for the Residential and General Gas Service Classifications using the same calculation method delineated in Steps 1 through 3. The final step in the process is to reconcile the sum total of the individually developed customer DDC factors with the aggregate DDC. The calculation of the class aggregate DDCs for the Residential and General Gas Service Classifications are provided as Exhibit 1 of this Stipulation. The class average DDC per customer for each Service Classification is shown on Line 14 of Exhibit 1. The DDC factor will remain fixed on a customer-premise basis until changed by the Commission as part of a gas delivery base rate case.
- d. Customers whose premise usage data in the period used to establish the DDC factor is insufficient to complete the DDC Factor calculation will be assigned the class average DDC factor. Those customers will retain the class average DDC factor until sufficient usage data is available to calculate a premise-specific DDC. New customer premises will be assigned the class average DDC Factor until sufficient usage data is available to calculate a premise-specific DDC. Once a premise-specific DDC is determined, the DDC factor will remain fixed until changed by the Commission as part of a gas delivery base rate case. Existing customers who change service to and/or new customers who initiate service at an existing premise service

location will be assigned the DDC Factor associated with the existing premise. Those customers will retain the existing DDC Factor until DDC Factors are changed by the Commission as part of a gas delivery base rate case.

3. The Parties agree to work with the Company to develop communications plans to educate customers about the change to MFV-based rates before the implementation of those rates. The communications plan will consider the suggestions and concerns of the Staff and DPA.

4. The Parties will work cooperatively to coordinate the implementation of the gas MFV distribution rates with the implementation of electric MFV distribution rates as considered in Docket No. 09-276.

5. The rate design for rates GL, MVG, MVFT, MVIT, LVG, LVFT and LVIT will not be modified.

6. Upon approval of this Settlement Agreement, DP&L shall amend and supplement its tariff as necessary to effectuate the terms of this settlement.

7. This Settlement Agreement is the product of extensive negotiation, and reflects a mutual balancing of various issues and positions. It is therefore a condition of the Settlement Agreement that it be approved by the Commission in its entirety without modification or condition, unless waived in writing by the Parties. If this Settlement Agreement is not approved in its entirety, unless waived in writing by the Parties, it shall become null and void.

8. This Settlement Agreement shall not set a precedent, shall not have issue or claim preclusion effect in any future proceeding, and no party shall be prohibited from arguing a different policy or position before the Commission in any future proceeding. The Parties believe

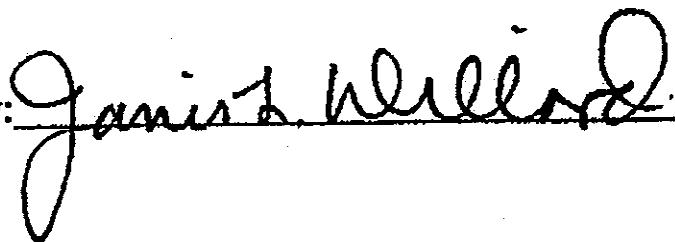
that the Settlement Agreement is in the public interest because, among other things, it avoids the additional cost of litigation of the issues resolved herein.

9. The terms of this Settlement Agreement will remain in effect until changed by an order of the Commission.

10. This Settlement Agreement may be executed in counterparts by any of the signatories hereto and transmission of an original signature by facsimile or email shall constitute valid execution of this Agreement. Copies of this Settlement Agreement executed in counterpart shall constitute one agreement. Each signatory executing this Settlement Agreement warrants and represents that he or she has been duly authorized and empowered to execute this Settlement Agreement on behalf of the respective party.

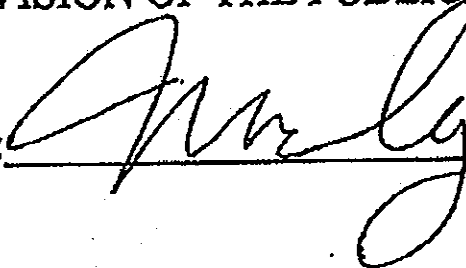
DELAWARE PUBLIC SERVICE
COMMISSION STAFF

Date: 9-23-10

By: 


DIVISION OF THE PUBLIC ADVOCATE

Date: 7/22/10

By: 

DELMARVA POWER & LIGHT COMPANY

Date: 7/22/10

By: 
Todd L. Goodman

Delmarva Power & Light Company - Delaware
Development of Proposed Gas Delivery Rates
Development of Aggregate Design Day Contribution Factor

		Residential	GG
1	Sales Jan - Feb 2009 (MCF)	3,177,504	1,571,738
2	Customers Jan-Feb 2009	113,200	9,464
3	August 2009 Monthly Sales (MCF)	132,378	111,602
4	August 2009 Average Daily Usage (MCF) = Line 3/31	4,270	3,600
5	Customers - August 2009	112,441	9,341
6	Non-Heating Usage (MCF) = Line 4 / Line 5 x (31 + 28) x Line 2	253,629	215,197
7	Heating Usage (MCF) = Line 1 - Line 6	2,923,875	1,356,541
8	Heating Degree Days: Jan - Feb 2009	1,862	1,862
9	Heating Usage per Degree Day per Customer (=Line 7/ Line 8 / Line 2)	0.01387	0.07697
10	Design Day Degrees	65	65
11	Peak Day Heating Usage = Line 2 x Line 9 x Line 10	102,055	47,349
12	Peak Day Non Heating Usage = Line 6 / (31+ 28)	4,299	3,647
13	Design Day Contribution (MCF) = Line 11 + Line 12	106,354	50,996